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25X1CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTERCONFIDENTIAL
6 January 1980MEMORANDUM

The Greek Political Scene

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Summary

Greece has experienced stability and prosperity under the moderately conservative and pro-Western Karamanlis government in the five years since the restoration of democratic rule. Recently, however, both the government's prestige and the economy have begun to wane. The result may be increased political ferment in coming months, especially if Prime Minister Karamanlis steps up to the presidency in May. The Greek perception of a continuing NATO and US tilt toward Turkey on key issues such as Cyprus, the Aegean, and Greece's bid to resume full military participation in the Alliance, meanwhile, has led to renewed disenchantment with the West among officials and public alike, tempered only by renewed fears of the Communist threat to the north.

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The Greek economy is beginning to overheat after several years of fairly impressive economic growth, low unemployment, satisfactory balance of payments flows, and manageable inflation rates. The higher cost of oil, budget deficits, and burgeoning domestic demand have prompted short term foreign borrowing and a spurt in inflation, which last year exceeded 20 percent. This, together with a series of tough austerity measures, has led to increased labor unrest and more generalized discontent.

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This memorandum, requested by the Department of the Treasury through the National Intelligence Officer for Western Europe, was prepared by [] of the Western Europe Division of the Office of Political Analysis. The paper was coordinated with the National Intelligence Officer for Western Europe and the Office of Economic Research. Research was completed on 5 January 1980. Questions and comments may be addressed to the Chief of the Iberia-Aegean Branch of the Western Europe Division, []

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The successful bid for membership in the European Community has enhanced the government's domestic standing, but this has been partly nullified by its failure so far to gain Turkish approval for its reentry into the military wing of NATO. Specifically, the Alliance's revision, to satisfy the Turks, of a compromise formula negotiated with the Greeks in 1978 has evoked public concern in Greece about the reliability of the allies--particularly the US--and has made the government vulnerable to criticism for its pro-Western stance. []

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Both the main opposition Socialist party of Andreas Papandreu and the far smaller, but still influential, extreme right are exploiting the government's difficulties with some success. Although there are no reliable public opinion polls in Greece, indications are that the government's popularity and Karamanlis' substantial personal prestige appear to be declining. []

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The Karamanlis government still has the strength and the will to prevent a major deterioration of the economy, as shown by the increasingly stringent austerity measures imposed last year. It is treading much more cautiously on NATO reentry and other foreign policy issues, however, partly to avoid exposing itself to domestic political attack and partly to remind the allies that Greece must not be taken for granted. Karamanlis has refused to sign an already completed agreement to extend permission to use of Voice of America facilities in Greece. His Defense Minister has warned that Greece will no longer participate in NATO military exercises and that further restrictions may be placed on US bases if Greece does not soon gain reentry into the Alliance. []

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Greece will continue to experience economic difficulties and dislocations, especially after it becomes a member of the EC in January 1981. So long as the three mainstays of the economy--shipping, tourism, and emigrant remittances--remain strong, however, such problems are not likely to get out of hand. Still, even a limited amount of economic discontent is bound to hurt the government politically in the next election, which will occur no later than December 1981. []

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Karamanlis' New Democracy party will be especially hard-pressed to retain its parliamentary majority if Karamanlis gives up his formal leadership of the party and moves to the presidency, a matter on which Karamanlis has kept his cards close to his chest. Although Karamanlis as president would remain the dominant force in Greek politics for another five years, he might have to contend with weak conservative coalitions or even a leftist government. []

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[] No matter what domestic political course Karamanlis takes, his formerly bold and imaginative foreign policy is likely to become more circumspect. Despite renewed Soviet bellicosity, the Greeks are not likely to concede an expanded role for Turkey in the Aegean to gain NATO reentry. Nor is Athens likely to take any new initiatives to settle its bilateral disputes with Ankara. At the same time, however, Athens will try to avoid steps that would further damage its relations with its allies. []

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